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IS SOUTHERN CALIFORNIA'S ECONOMY ON THE REBOUND?

Job Growth Projected To Increase For Six-County Region in 2005

LOS ANGELES – Economic experts presented a cautiously optimistic outlook for strengthening economic growth in Southern California at today's Eighth Annual Regional Economic Forecast Conference, sponsored by the Southern California Association of Governments (SCAG). Over 100 local elected officials and staff, public agencies, private sector executives and academics attended the SCAG conference held at the Walt Disney Concert Hall in Los Angeles. The forecasts, compiled by SCAG in partnership with California State University, Fullerton (CSUF) and California State University, Long Beach (CSULB), are the only projections to focus exclusively on the short-term economic outlook (2005-2006) for the entire region (Imperial, Los Angeles, Orange, Riverside, San Bernardino, and Ventura Counties).

With the Ports of Los Angeles and Long Beach handling more than one-third of the nation's cargo container traffic, the trade and transportation sectors posted some of the region's strongest job gains this past year. "Trade and commerce will play an increasingly important role in the region's economic health," stated Ron Roberts, SCAG President and Temecula City Councilmember.

"Entrepreneurial approaches to the trade and logistics industry, rather than traditional public works approaches, will be pivotal in driving the region's next 'gold rush,'" said SCAG Executive Director Mark Pisano. "However, if we don't make some critical investments in our goods movement infrastructure, we will seriously jeopardize Southern California's position in the future global marketplace."

According to the CSULB forecast, overall regional growth through August of 2004 was 0.7%, putting Southern California slightly behind the state's growth rate but ahead of the 0.2% growth rate for the region in 2003. The region generated 102,000 new jobs, but also lost 46,000 jobs, with nearly 30,000 of those losses occurring in the manufacturing sector. The information, high-tech and state and local government sectors also saw job losses, while the professional, business and tourism service sectors saw gains. By 2005, the CSULB forecast projects regional job growth at slightly more than 2%, lagging behind the annual gains made in the late 1990s but stronger than the lackluster growth of recent years.

(more)

The CSUF forecast noted Southern California – like the nation as a whole – experienced a “soft patch” in the economic recovery during the summer with sluggish job growth compared to the first quarter of the year. The forecast, however, projected more robust job creation and economic growth throughout the region in 2005. The CSUF report also noted the continued rise in housing prices throughout the region, which has significantly reduced the affordability of home purchases, especially for first-time home buyers. As interest rates start to climb, housing price increases are expected to moderate.

Sunne Wright McPeak, Secretary of the California Business, Transportation and Housing Agency, spoke about the priority that the Governor has placed on housing affordability and land use planning to sustain California’s recovery. “We need to subscribe to a different vision for the state because the cost of housing is discounting our productivity advantage, causing investments to not be as high as they should. We want to be partners with you in planning for our collective future.”

In addition to assessing Southern California’s economic outlook, the forecasts also examined various trends occurring in segments of the region.

- Los Angeles County, which makes up 58% of all the jobs in Southern California, has seen its total payroll jobs decline by 2.1% since 2001, creating a drag on the rest of the regional economy. Manufacturing and the apparel sectors accounted for a large portion of the job losses, while gains were achieved in the construction sector.
- While payroll jobs in Orange County are only projected to grow by 4,000 (0.3%) in 2004, it is expected to gain 27,000 jobs (1.6%) in 2005 and nearly 30,000 (2.1%) in 2006.
- The Inland Empire showed the highest growth rates of the region, generating 18,000 jobs through August 2004 (1.6% increase). Payroll employment in Riverside and San Bernardino Counties is expected to grow by 2.1% and 3.3% in 2005 and 2006, respectively.
- Although Ventura County is expected to show only marginal growth in 2004 (0.1%), it is projected to achieve a 1.9% growth rate in 2005 due to gains in construction, non-durable manufacturing, financial services, and educational and health services.
- Imperial County, whose economy is significantly more reliant on agricultural and state and local government employment than the rest of the region, is expected to see gains in agricultural employment while growth in the government sector will decline due to ongoing budget problems in Sacramento.

[Editor’s Note: For additional information or to receive a copy of the Regional Economic Forecast for Southern California, call Don Rhodes of SCAG at 213/236-1840 or Jeff Lustgarten of Cerrell Associates at 323/466-3445.]